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Controller Chiang Issues Statement on LAO Review of Health Benefits Cost Analysis

SACRAMENTO – State Controller John Chiang today issued the following statement regarding the finding by the Legislative Analyst’s Office that the actuarial analysis Chiang commissioned is a “solid initial estimate” of California’s long-term cost for state retiree health and dental benefits:

“I appreciate the thorough review conducted by the Legislative Analyst’s Office of the actuarial analysis of the state’s long-term liability regarding health benefits for retired and current state workers.

“It is important that state policy-makers immediately begin thoughtful discussions about how to develop a fiscally prudent plan that protects our state budget while delivering on our promise to our valuable public servants.

“I agree with the Legislative Analyst that pre-funding is a key component to a responsible plan. By putting funds into a long-term, high-yield trust fund, we can use the investment earnings to meet current obligations and help pay off the unfunded liability for future retiree health costs.

“The actuarial report I commissioned and released on Monday shows that moving away from the pay-as-you-go approach will save the state more than \$16 billion over the next 30 years, and reduce by \$1 billion the annual amount we need to meet our current and long-term obligations.

“I look forward to working with the Legislative Analyst’s Office, the California Public Employees’ Retirement System, the Department of Finance and others to refine the data and our assumptions for our next valuation.”

The Government Accounting Standards Board Statement 45 (GASB 45) requires California to publicly disclose of the future dollar amounts of its obligation to pay for post-employment benefits other than pension by March 2009. Controller Chiang commissioned the actuarial analysis two years early to give policymakers more time to develop a responsible plan to pay the obligation and satisfy any concerns of Wall Street and credit rating agencies.

The [actuarial report](#) and a [fact sheet](#) can be found on the Controller’s Web site at www.sco.ca.gov.